



# UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE  
United States Patent and Trademark Office  
Address: COMMISSIONER FOR PATENTS  
P.O. Box 1450  
Alexandria, Virginia 22313-1450  
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
-----------------	-------------	----------------------	---------------------	------------------

10/764,126

01/23/2004

J. Scott Perry

P-0418

6089

48159 7590 02/22/2008  
AUFRICHTIG & AUFRICHTIG, P.C.  
300 EAST 42ND STREET  
5th Floor  
NEW YORK, NY 10017

EXAMINER

FERTIG, BRIAN E

ART UNIT

PAPER NUMBER

3694

MAIL DATE

DELIVERY MODE

02/22/2008

PAPER

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b> 10/764,126	<b>Applicant(s)</b> PERRY ET AL.	
	<b>Examiner</b> Brian Fertig	<b>Art Unit</b> 3694	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 11/8/2004.
- 2a) ☐ This action is **FINAL**.                      2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☒ Claim(s) 1-3 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 1-3 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All    b) ☐ Some \*    c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
  2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

### Attachment(s)

- |  |   |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)          | 4) <input type="checkbox"/> Interview Summary (PTO-413)           |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____                                      |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)          | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____  | 6) <input type="checkbox"/> Other: _____                          |

## **DETAILED ACTION**

### ***Claim Objections***

1. Claims 1 and 3 are objected to because of the following informalities. Appropriate correction is required.

#### With respect to claim 1

This claim recites 'a swap' a number of times. Such recitations makes it unclear as to whether applicant intends to refer back to the original recitation or whether applicant intends to claim additional swaps. For the purposes of examination below, it is assumed that applicant mean to recite 'the swap' in place of 'a swap' for recitations following the first.

#### With respect to claim 3

The claim recites "the initial fixed value . . . the initial collateral . . . the required collateral", etc. These recitations find no antecedent bases within the claims. For purposes of examination below 'an initial fixed value' is assumed.

### ***Claim Rejections - 35 USC § 112***

2. The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

3. Claims 1 and 3 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

#### With respect to claim 1

This claim recites a “termination means for determining” This language invokes the rebuttable presumption that applicant seeks treatment under 35 U.S.C. 112, sixth paragraph. Such treatment requires that applicant clearly identify particular structures or steps within the disclosure as the means for or steps for that applicant intends to claim (see MPEP § 2181). No such clear identification has been found, rendering the claim indefinite. For the purposes of examination below, it is assumed that applicant did not intend to invoke treatment under 35 U.S.C. 112, sixth paragraph. Applicant is advised to explicitly rebut the presumption that 35 U.S.C. 112, sixth paragraph treatment has been invoked, amend the claims to remove the invoking language, and/or point out language in the disclosure that clearly identifies the particular structures or steps applicant intends to claim.

With respect to claim 3

This claim recites “and/or exercising a swaption” The and/or language makes either terminating or the exercising step optional. Language that suggests or makes optional but does not require steps to be performed or does not limit a claim to a particular structure does not limit the scope of a claim or claim limitation. This recitation, therefore, renders the claim indefinite.

***Claim Rejections - 35 USC § 102***

4. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

A person shall be entitled to a patent unless –

(e) the invention was described in (1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or (2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent, except that an international application filed under the treaty defined in section 351(a) shall have the effects for purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language.

5. Claim 1 is rejected under 35 U.S.C. 102(e) as being anticipated by US Patent

Application Publication 2003/0144940 by Kochansky (Kochansky).

With respect to claim 1

Kochansky teaches:

A credit risk mitigation system for swap transactions between  
counterparties, comprising

at least two counterparties, interested in forming a swap to hedge a  
forward contract (see par 5):

a system counterparty, which forms paired basis swaps with pairs  
of counterparties interested in forming a swap; the system counterparty  
making paired, balanced offsetting swaps with the individual members of a  
pair of counterparties interested in forming a swap and simultaneously  
creating a swaption with each of the pair of counterparties (i.e. collateral  
management system, see par 11-12 and 19, note that the collateral  
management system has the ability to receive contract terms and is  
therefore capable of making offsetting swaps and creating swaptions), the  
system counterparty including;

a data storage means for retaining all of the swaps the system counterparty enters into with each other counterparty (i.e. databases, see par 11);

communication means coupled to the system counterparty allowing the system counterparty to communicate with potential pairs of counterparties interested in forming a swap to receive potential swap contract information and to communicate paired basis swap information to accepted pairs of counterparties and collateral requirements with each accepted swap between the system counterparty and the other counterparty to such swap (i.e. means for communicating results, see par 19);

termination means for determining if a counterparty to an accepted swap is in default and selecting an appropriate response (i.e. analytics system components, see par 19, note these components would be capable of determining if a counter party is in default).

### ***Claim Rejections - 35 USC § 103***

6. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

7. This application currently names joint inventors. In considering patentability of the claims under 35 U.S.C. 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 U.S.C. 103(c) and potential 35 U.S.C. 102(e), (f) or (g) prior art under 35 U.S.C. 103(a).

8. Claims 2 and 3 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kochansky in view of Managing Financial Risk: A Guide to Derivative Products, Financial Engineering, and Value Maximization by Charles W. Smithson, McGraw-Hill, p 162-176, 303-305, 1998 (Smithson) and in further view of Official Notice.

With respect to claim 2

Kochansky teaches:

A method of risk mitigation and collateralization of a swap used to hedge a forward contract during delivery, comprising:

evaluating the initial fixed value at risk for each counterparty to the swaps with the central swap authority (see par 48, note that this is done by the parties as a part of formulating their contract terms);

calculating the initial collateral required by each counterparty based on an agreed upon termination payment (see par 48, note

that this is done by the parties as a part of formulating their contract terms);

assuring that the required collateral by each counterparty is in the central swap authority's possession each delivery day (i.e. threshold values are compared, see par 49);

transferring the payment under the forward contract from one counterparty's funds to the other counterparty's control for each day's notional delivery under the forward contract (i.e. initiate a transfer of collateral, see par 49);

determining the floating rate index contract price for a day (i.e. present worth of collateral determined, see par 49);

updating the new collateral requirements (i.e. difference in value between the exposure value and the collateral pledges is determined, see par 51 and 52);

Kochansky does not explicitly teach:

forming offsetting paired basis swaps with a central swap authority;

funds held by the central swap authority

terminating the paired swap if one of the counterparties defaults in any of its obligations to make payments to the central swap authority and making the agreed upon termination payment to the non-defaulting paired swap counterparty



Smithson teaches:

forming offsetting paired basis swaps with a central swap authority (see pg 171);

. . . based on the difference between the fixed rate contract price and the floating rate index contract price for the previous day (i.e. valuation of a swap is based upon the fixed contract price and floating index contract price, see p 164)

It would have been obvious to one having ordinary skill in the art at the time of applicant's invention to have provided the method taught by Kochansky with the step of forming offsetting paired basis swaps and swap valuation taught by Smithson in order to manage interest rate risk as taught explicitly by Smithson (see, pg 171). Note also that Kolinowsky invites the use of derivatives (see par 47)

Examiner takes Official Notice that it would have been obvious to one skilled in the art at the time of applicants invention to terminate the paired swap if one of the counterparties defaults in any of its obligations to make payments to the central swap authority and making the agreed upon termination payment to the non-defaulting paired swap counterparty. Termination and payment of a penalty is a common remedy to a breach in arrangements between two parties. Many contracts contain 'Early Termination' provisions that provide the non-breaching party with both the right to terminate an agreement in the even of

breach and contain penalty amounts they would be owed. Note that Kolownowsky teaches having dispute resolution terms (see par 58)

Examiner also takes Official Notice that it would have been further obvious at the time of applicant's invention to have provided the limitation of funds held by the central swap authority. In secured transactions, it is common to employ a trusted third party (i.e. trustee or the clearing house of a financial/commodity exchange) to take possession of the collateral to reduce the trust that the parties must have in each other. Using the central swap authority would be a natural choice for a trusted third party.

With respect to claim 3

Kochansky teaches:

A method of risk mitigation and collateralization of a swap used to hedge a forward contract comprising:

evaluating the initial fixed value at risk for each counterparty to the swaps with the central swap authority (see par 48, note that this is done by the parties as a part of formulating their contract terms);

calculating the initial collateral required by each counterparty based on an agreed upon termination payment (see par 48, note that this is done by the parties as a part of formulating their contract terms);

assuring that the required collateral by each counterparty is in the central swap authority's possession each delivery day (i.e. threshold values are compared, see par 49);

transferring the payment under the forward contract from one counterparty's funds to the other counterparty's control for each day's notional delivery under the forward contract (i.e. initiate a transfer of collateral, see par 49);

determining the floating rate index contract price for a day (i.e. present worth of collateral determined, see par 49);

updating the new collateral requirements (i.e. difference in value between the exposure value and the collateral pledges is determined, see par 51 and 52)

Kolinsky does not explicitly teach:

forming offsetting paired basis swaps with a central swap authority;

funds held by the central swap authority

. . . based on the difference between the fixed rate contract price and the floating rate index contract price for the previous day;

terminating the paired swap if one of the counterparties defaults in any of its obligations to make payments to the central swap authority and making the agreed upon termination payment to the non-defaulting paired swap counterparty and/or

exercising a swaption with such counterparty.

Smithson teaches:

forming offsetting paired basis swaps with a central swap authority (see pg 171);

. . . based on the difference between the fixed rate contract price and the floating rate index contract price for the previous day (i.e. valuation of a swap is based upon the fixed contract price and floating index contract price, see p 164)

exercising a swaption with such counterparty (see pg 303).

It would have been obvious to one having ordinary skill in the art at the time of applicant's invention to have provided the method taught by Kochansky with the step of forming offsetting paired basis swaps, exercising swaptions, and swap valuation taught by Smithson in order to manage interest rate risk as taught explicitly by Smithson (see, pg 171). Note also that Kolinowsky invites the use of derivatives (see par 47)

Examiner takes Official Notice that it would have been obvious to one skilled in the art at the time of applicants invention to terminating the paired swap if one of the counterparties defaults in any of its obligations to make payments to the central swap authority and making the agreed upon termination payment to the non-defaulting paired swap counterparty. Termination and payment of a penalty is a common remedy to a breach in arrangements between two parties. Many contracts contain 'Early Termination' provisions that provide the non-

breaching party with both the right to terminate an agreement in the even of breach and contain penalty amounts they would be owed. Note that Kolownowsky teaches having dispute resolution terms (see par 58).

Examiner also takes Official Notice that it would have been further obvious at the time of applicant's invention to have provided the limitation of funds held by the central swap authority. In secured transactions, it is common to employ a trusted third party (i.e. trustee or the clearing house of a financial/commodity exchange) to take possession of the collateral to reduce the trust that the parties must have in each other. Using the central swap authority would be a natural choice for a trusted third party.

### ***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to BRIAN FERTIG whose telephone number is (571)270-5131. The examiner can normally be reached on Monday - Friday 8:30am to 5:00pm EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Trammell can be reached on (571) 272-6712. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Art Unit: 3694

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/B.F./

/Mary Cheung/  
Primary Examiner, Art Unit 3694